

DCI

Executive Registry

84 - 2549

The Director of Central Intelligence

Washington, D.C. 20505

*Memo
Chen*

7 June 1984

Dear Lionel,

Here is something that you will find interesting, particularly in the context of the Bart Rowan column we talked about today.

It was good to see you.

Yours,

Bill
William J. Casey

Enclosure

The Honorable Lionel Olmer
Under Secretary for
International Trade
Department of Commerce
Washington, D.C. 20230

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UK Economic Statistics

1. Inflation: The UK has enjoyed the biggest decline in its inflation rate of any OECD country. The peak was 22% in early 1980 and it fell to under 4% in 1983. It is presently 5%.

2. The Budget Deficit (ratio of budget deficit to GDP): At 2.25%, it is lower in the UK than in any other OECD economy.

3. Balance of Payments: The UK has had a current account surplus for six out of the last seven years--accumulative surplus for the period is equal to that of Japan.

4. Labor Costs: The rate of annual increase in labor costs per unit of output fell from 22% in the second quarter of 1980 to 3% today.

5. Money Supply: The annual growth rate of money supply has slowed from 18% in 1980 to between 9 and 10% today. (A significant proportion of that growth is bank lending to the private sector.)

6. Productivity: Annual productivity growth in the manufacturing sector of the economy has been 6% since 1980. Productivity has increased 3% per annum across the economy as a whole.

7. GDP Growth: 1980 - declined 2%
1981 - declined 2 1/2%
1982 - 2% growth
1983 - 3% growth
1984 - projected 3 1/2% growth

NOTE: UK has the best overall economic growth rate of all countries in the EC and the best productivity growth rate in the OECD.

THE JOURNAL OF COMMERCE, Monday, 21 May 1984

UK Business Confidence On Upswing

By JANET PORTER
Journal of Commerce Staff

LONDON — Business confidence in Britain is booming and fears that the economic recovery might prove short-lived are now starting to recede.

Underpinned by consumer demand for the past couple of years, the upturn is now likely to receive further impetus from the improvement in world trading conditions, suggesting that the current recovery may be more durable than its predecessors.

Evidence of this is clear from the results of the latest Confederation of British Industry trends survey, published at the beginning of May, which showed that the U.K.'s manufacturing industry was enjoying its most widespread improvement in orders and output for seven years.

Although a large number of companies in Britain are still working at well below full capacity, the latest CBI quarterly survey was the fifth in a row to find greater business optimism, with British manufacturers particularly positive about the outlook for exports. There was a general expectation that export orders will continue to rise over the next four months.

What is especially cheering is the broad based nature of the upturn across all industrial sectors for the first time since recovery began more than two years ago.

With other major European economies now starting to pick up, and the U.S. economy still booming, the outlook for British exports is looking good. Stockbrokers Phillips and Drew expect U.K. exports to grow by 4.5 to 5 percent in volume terms this year

and around 4 percent in 1985, compared with a 1.5 percent rise in 1983.

In particular, Britain is mounting a major new sales onslaught on its largest overseas market, the United States. Although non-oil exports to the United States grew by 27 percent (in sterling terms) last year, Britain's share of U.S. imports fell from around 5 percent to only about 4.6 percent in 1983. The U.K. is now determined to regain this lost ground and is urging British exporters to take a fresh look at the market opportunities in the United States, especially on the West Coast.

Despite Britain's substantial balance of payments current account surplus last year of £2 billion, there was a huge deterioration in the country's non-oil account from a deficit in 1982 of £2.2 billion to £7.5 billion last year. The country's oil trade surplus is expected to rise slightly this year compared with last, but there is nevertheless concern about the non-oil account. In particular, the U.K. recorded a deficit in its manufactured trade last year, the first for some 200 years.

This reflects, in part, the fact that Britain's recovery began earlier than elsewhere and was fueled by domestic consumer demand rather than by exports. The U.K. authorities are now hoping that the export drive in the United States, coupled with improving demand for British goods from other European countries as their economies improve, will stimulate U.K. overseas trade and help sustain the recovery.

Meanwhile, improved business confidence, helped in no small measure by the budget in March, has encouraged investment intentions. Phillips and Drew, for example, say that prior to the budget they were looking for a rise in manufacturing investment of 6.5-7 percent in real terms this year followed by a 3.5-4 percent advance next year. However, because of the new tax measures, the brokers are now forecasting an increase of 10-12 percent in 1984 and a further 6-8 percent in 1985.

The CBI survey concluded that the volume of fixed investment would rise by about 7 percent this year. However, while a considerable improvement on recent years, it would only restore investment levels to around 1982 levels, the CBI notes.

Although now into its third year, Britain's economic upturn so far has been slow and shaky with many British companies seeing little evidence of any real recovery. Although still tentative in many sectors and regions, the upturn does, at last, seem to have taken a firm grip.